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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**BY HAND DELIVERY**

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

**Re: MCI Telecommunications Corporation Petition for Rulemaking -- Billing and Collection Services Provided By Local Exchange Carriers for Non-Subscribed Interexchange Services, RM 9108**

Dear Mr. Caton:

Pursuant to the Commission's June 25, 1997 Public Notice in the above-referenced matter, enclosed for filing are an original and four (4) copies of the Reply Comments of Hold Billing Services, Ltd.

Please date-stamp the enclosed extra copy of these Reply Comments and return it to the undersigned via our messenger. If you should have any questions concerning this matter, please do not hesitate to contact us.

Very truly yours,

*Maria L. Cattafesta*

Dana Frix  
Maria L. Cattafesta

Counsel for Hold Billing Services, Ltd.

Enclosures

cc: Rick Box  
International Transcription Service  
Darius B. Withers, Common Carrier Bureau (w/ diskette)

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**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

In the Matter of )  
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MCI Telecommunications Corporation )  
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Billing and Collection Services Provided )  
By Local Exchange Carriers for Non-Subscribed )  
Interexchange Services )  
\_\_\_\_\_ )

RM 9108

**REPLY COMMENTS OF  
HOLD BILLING SERVICES, LTD.**

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Counsel for Hold Billing Services, Ltd.

Dated: August 14, 1997

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
MCI Telecommunications Corporation	)	
	)	RM 9108
Billing and Collection Services Provided	)	
By Local Exchange Carriers for Non-Subscribed	)	
Interexchange Services	)	
_____	)	

**REPLY COMMENTS OF  
HOLD BILLING SERVICES, LTD.**

Hold Billing Services, Ltd. ("HBS"), by its undersigned counsel, hereby submits its Reply Comments in support of the Petition for Rulemaking ("Petition") filed by MCI Telecommunications Corporation ("MCI") on May 19, 1997, in the above-captioned proceeding. HBS urges the Commission to grant MCI's Petition to prohibit local exchange carriers ("LECs") that provide essential billing and collection services from discriminating against interexchange carriers ("IXCs") and the clearinghouses they use in violation of the public interest.

**I. THE COMMISSION MUST ELIMINATE UNFAIR AND DISCRIMINATORY LEC BILLING AND COLLECTION PRACTICES THAT THREATEN THE VIABILITY OF THE INTEREXCHANGE MARKET.**

Although the Federal Communications Commission ("Commission") deregulated the billing and collection services provided by local exchange carriers in 1986,<sup>1</sup> it retained ancillary jurisdiction under Title I of the Communications Act of 1934 to regulate billing and collection services to IXCs

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<sup>1</sup> *Detariffing of Billing and Collection Services*, 102 FCC 2d 1150 (1986).

and billing and collection clearinghouses.<sup>2</sup> HBS urges the Commission to exercise this jurisdiction to address the LECs' anticompetitive provision of billing and collection services which threatens the ability of IXC's and clearinghouses to compete effectively in the interexchange market.

The Commission's failure to take action to prevent unfair and discriminatory LEC billing and collection practices will pose grave consequences for the industry. At this time, LECs possess exclusive control of the information such as customer billing name and address ("BNA") information necessary to bill and collect for non-subscribed services, such as 10XXX. IXC's offering non-subscribed services lack this information because they do not have a pre-existing relationship with the customer. LECs also possess bottleneck control with respect to pre-subscribed services provided by IXC's that simply cannot afford to develop and establish their own billing and collection systems. IXC's and the clearinghouses that serve them, therefore, depend upon the LECs to provide billing and collection information and related functions in a fair and nondiscriminatory manner. Lack of accurate and reliable billing and collection services threaten the ability of many IXC's to survive in a competitive market.

The Telecommunications Act of 1996 ("1996 Act") significantly alters the landscape of LEC billing and collection practices. As a result of the 1996 Act, LECs are poised to enter into the interexchange market through their own interLATA operations or through the creation of affiliated carriers. LEC billing and collection service customers will become direct competitors. Thus, LECs have the incentive to leverage their exclusive control of billing and collection information to the disadvantage of IXC's and the clearinghouses they use. LECs could leverage their control by touting

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<sup>2</sup> *Id.* at ¶¶ 34-35.

their ability to provide a customer with a single bill for both local and long-distance services as their competitive edge over IXC. This unilateral control will create a strong inducement for LECs to discriminate against IXCs. As MCI and other commenters point out, LECs are already imposing burdensome terms and conditions in billing and collection contracts and even threatening contract termination.<sup>3</sup> The Commission must address the LECs' ability and incentive to discriminate against IXCs, before they become victims of these anticompetitive practices.

## **II. SEPARATE BILLING AND COLLECTION SYSTEMS ARE IMPRACTICAL AND WOULD REDUCE COMPETITION IN THE INTEREXCHANGE MARKET.**

Several LECs comment that IXCs could establish their own billing and collection systems as an alternative to LEC billing and collection systems.<sup>4</sup> This is not a viable proposal as has been demonstrated by market forces since divestiture. The costs associated with the development, let alone with the operation of separate billing and collection systems are extremely high, especially for smaller IXCs. The absence of cost-effective billing and collection services will drive many IXCs out of the market. Mounting costs also impose an effective barrier to entry for potential market entrants. Few carriers can take advantage of the economies of scale associated with billing and collection services which explains why most IXCs use clearinghouses for this precise reason. It would be especially difficult for providers of non-subscribed services to establish billing and collection systems because, as noted above, they lack direct access to BNA information. If the Commission does not address LEC discriminatory practices, either the number of market participants

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<sup>3</sup> Petition, at 2; Comments of Competitive Telecommunications Association, at 5; Sprint, at 3-4; Frontier, at 3; OAN and Integretel, at 6; Pilgrim Telephone, Inc., at 5.

<sup>4</sup> Comments of Ameritech, at 3-4; Cincinnati Bell Telephone, at 4; and U S West, at 7-10.

will sharply decline, resulting in decreased competition and increased rates to the detriment of the public interest, or the economic inefficiencies which have historically caused IXC's to utilize clearinghouses will be charged to consumers in the form of higher rates.

### **III. THE COMMISSION MUST PROMULGATE NONDISCRIMINATION RULES AND ESTABLISH AN INDEPENDENT INFORMATION DATABASE TO PROVIDE EQUAL ACCESS TO BILLING & COLLECTION INFORMATION.**

It is critical that the Commission take decisive action to create a level playing field that prevents LECs from leveraging their bottleneck control of billing and collection information to the competitive disadvantage of IXC's and the clearinghouses that serve them. In the short-term, comprehensive rules that mandate nondiscriminatory access for both non-subscribed and pre-subscribed calls will ensure that LECs do not wield their broad power in an anticompetitive manner. In the long-term, an independent informational database will provide equal access to essential billing and collection data, thereby eliminating LEC bottleneck control. These measures will ensure that a truly competitive interexchange market continues to exist.

### **IV. CONCLUSION**

The Commission must investigate further the unfair and discriminatory LEC billing and collection practices. Because LECs have exclusive control of essential billing and collection information, they have the ability to discriminate against IXC's and clearinghouses that rely on this service. Now that the 1996 Act permits LECs to enter into the interexchange market, LECs have the strong incentive to exercise that ability and leverage their bottleneck control to the competitive disadvantage of IXC's. It is imperative that the Commission address this imbalance and establish regulations that require nondiscriminatory access to LEC billing and collection services. In addition, it is essential that the Commission promote the development of an independent informational

database to eliminate the LEC's exclusive control of this information. These measures will allow IXC's to remain viable players in the interexchange market and their participation will inure to the public benefit.

Respectfully submitted,

A handwritten signature in cursive script, reading "Maria L. Cattafesta".

Dana Frix

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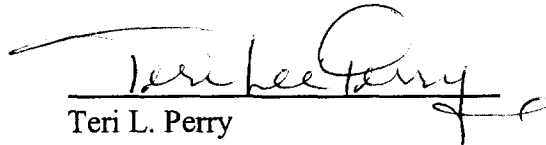
(202) 424-7645 (Fax)

Counsel for Hold Billing Services, Ltd.

Dated: August 14, 1997

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing "Reply Comments of Hold Billing Services, Ltd. will be served via U.S. Mail on this the 14th day of August, 1997, on each of the persons on the attached service list.

  
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